

PUBLIC DISCLOSURE

August 16, 2011

**MORTGAGE LENDER COMMUNITY INVESTMENT
PERFORMANCE EVALUATION**

**MORTGAGE NETWORK INC.
MC2668**

**300 ROSEWOOD DRIVE
DANVERS, MA. 01923**

**DIVISION OF BANKS
1000 WASHINGTON STREET
BOSTON, MA 02118**

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this mortgage lender. The rating assigned to this mortgage lender does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this mortgage lender.
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GENERAL INFORMATION

Massachusetts General Laws chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00, Mortgage Lender Community Investment (MLCI), require the Division to use its authority when examining mortgage lenders subject to its supervision who have made 50 or more home mortgage loans in the last calendar year, to assess the mortgage lender's record of helping to meet the mortgage credit needs of the Commonwealth, including low- and moderate-income neighborhoods and individuals, consistent with the safe and sound operation of the mortgage lender. Upon conclusion of such examination, the Division must prepare a written evaluation of the mortgage lender's record of meeting the credit needs of the Commonwealth.

This document is an evaluation of the MLCI performance of **Mortgage Network, Inc. (Mortgage Network)** prepared by the Division, the mortgage lender's supervisory agency, as of **August 16, 2011**.

SCOPE OF EXAMINATION

An evaluation Mortgage Network was conducted using examination procedures as defined by MLCI. A review of the Division's records did not reveal any complaints.

The MLCI examination included a comprehensive review and analysis, as applicable, of Mortgage Network's:

- (a) origination of loans and other efforts to assist low and moderate income residents, without distinction, to be able to acquire or to remain in affordable housing at rates and terms that are reasonable considering the lender's history with similarly situated borrowers, the availability of mortgage loan products suitable for such borrowers, and consistency with safe and sound business practices;
- (b) origination of loans that show an undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units;
- (c) efforts working with delinquent residential mortgage customers to facilitate a resolution of the delinquency; and
- (d) other efforts, including public notice of the scheduling of examinations and the right of interested parties to submit written comments relative to any such examination to the Commissioner, as, in the judgment of the Commissioner, reasonably bear upon the extent to which a mortgage lender is complying with the requirements of fair lending laws and helping to meet the mortgage loan credit needs of communities in the Commonwealth.

MLCI examination procedures were used to evaluate Mortgage Network's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Mortgage Network's lending and community development activities for the period of January 2010 through December 2011. The data and applicable timeframes for the Lending Test and the Service Test are discussed below.

The Lending Test evaluates the mortgage lender's community investment performance pursuant to the following five criteria: geographic distribution of loans, lending to borrowers of different incomes, innovative and flexible lending practices, fair lending, and loss of affordable housing.

Home mortgage lending for 2010 and 2011 is presented in the geographic distribution, lending to borrowers of different incomes and the Minority Application Flow tables. Comparative analysis of the mortgage lender's lending performance for the year of 2010 and 2011 is provided because both years' aggregate HMDA lending data is available. The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting lenders which originated loans in the Commonwealth of Massachusetts.

In addition to gathering and evaluating statistical information relative to a mortgage lender's loan volume, the MLCI examination also reflects an in depth review of the entity's mortgage lending using qualitative analysis, which includes, but is not limited to: an assessment of the suitability and sustainability of the mortgage lender's loan products by reviewing the lender's internally maintained records of delinquencies and defaults as well as information publicly available through the Federal Reserve Banks and through local Registries of Deeds and through other sources available to the examination team. The examination included inspection of individual loan files for review of compliance with consumer protection provisions and scrutiny of these files for the occurrence of disparate treatment based on a prohibited basis.

The Service Test evaluates the mortgage lender's record of helping to meet the mortgage credit needs by analyzing the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products, the extent and innovativeness of its community development services, and, if applicable, loss mitigation services to modify loans and/or efforts to keep delinquent home borrowers in their homes.

MORTGAGE LENDER'S MLCI RATING:

This mortgage lender is rated "Satisfactory."

- The geographic distribution of the lender's loans reflects a reasonable dispersion in low- and moderate-income census tracts as it is reflective of the distribution of owner occupied housing in those census tracts.
- The distribution of borrowers reflects, given the demographics of Massachusetts, a reasonable record of serving the credit need among individuals of different income levels, including low- and moderate-income.
- Mortgage Network offers a number of flexible lending products, which are provided in a safe and sound manner to address the credit needs of low- and moderate-income individuals.
- Fair lending policies and practices are considered reasonable.
- The Lender provides a number of Community Development Services.

PERFORMANCE CONTEXT

Description of Mortgage Lender

Mortgage Network was established in the Commonwealth of Massachusetts in 1988, and was granted a mortgage lender license by the Division in 1992, the first year for which licensing was required. Since December 2001 the company has been a wholly-owned subsidiary of Mortgage Network Business Trust. Mortgage Network is a retail lender engaging in the organization and sale of residential mortgage loans, secured primarily by one-to-four family residential properties, to consumers of sound credit quality. The lender is also licensed in Massachusetts as a Mortgage Broker and a Third Party Loan Servicer. As of the date of the examination the lender was licensed in 21 states and the District of Columbia and had ten branch locations in Massachusetts. The branches are located in Agawam, Stoneham, Marblehead, Westford, Haverhill, Osterville, Wellesley, Waltham, Acton, and Auburn. Its main office is located at 300 Rosewood Drive in Danvers, Massachusetts.

For the examination period, 2010 and 2011, Mortgage Network originated 4,577 loans totaling \$1,396,902 billion in Massachusetts.

Demographic Information

The MLCI regulation requires mortgage lenders to be evaluated on their performance within the Commonwealth of Massachusetts. Demographic data is provided below to offer contextual overviews of economic climate along with housing and population characteristics for the Commonwealth of Massachusetts.

DEMOGRAPHIC INFORMATION*						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A
Geographies (Census Tracts)	1,361	8.4	21.7	46.1	23.4	0.4
Population by Geography	6,349,097	5.8	20.5	47.6	26.0	0.1
Owner-Occupied Housing by Geography	1,508,248	1.6	12.8	54.0	31.6	0.0
Family Distribution by Income Level	1,587,537	20.5	17.7	22.3	39.5	0.0
Distribution of Low and Moderate Income Families throughout AA Geographies	606,419	10.0	29.4	46.2	14.4	0.0
Median Family Income	\$65,318	Median Housing Value			209,519	
2010 HUD Adjusted Median Family Income	\$83,413	Unemployment Rate			6.9%**	
Households Below Poverty Level	9.8%					

*Source: PCI Corporation Inc., CRA Wiz, Data Source: 2000 US Census

**as of 12/11

Based on 2000 Census data, the Commonwealth of Massachusetts has a total population of just over 6.3 million people and a total of 2.6 million housing units. Of the total housing units, 1.5 million or 57.5 percent are owner-occupied, 935,332 or 35.7 percent are rental-occupied, and 6.8 percent are vacant units.

There are 2.4 million households in the Commonwealth with a median household income of \$53,686 according to the 2000 Census. Over 40 percent of the households are classified as low- and moderate-income. In addition, 9.8 percent of the total number of households are living below the poverty level. Individuals in these categories may find it challenging to qualify for traditional mortgage loan products.

Households classified as “families” total slightly over 1.5 million. Of all family households, 20.5 percent are low income, 17.7 percent are moderate income, 22.3 percent are middle income, and 39.5 percent are upper income. The median family income according to the 2000 census was \$65,318. The Housing and Urban Development (“HUD”) adjusted median family income is \$83,413. The adjusted median family income is updated yearly and takes into account inflation and other economic factors.

The Commonwealth of Massachusetts contains 1,361 Census tracts. Of these, 114 or 8.4 percent are low-income; 295 or 21.7 percent are moderate-income; 628 or 46.1 percent are middle-income; 319 or 23.4 percent are upper-income; and 5 or 0.4 percent are NA or have no income designation. The five census tracts with no income designation are located in Bridgewater (a correctional facility), Boston (islands in Boston Harbor), Amherst (U MASS campus), Harvard (Fort Devens), and Grafton (Tufts Veterinary School). These Census tracts contain no housing units and will not be included in this evaluation since they provide no lending opportunities.

The median housing value for Massachusetts was \$209,519 according to the 2000 Census. However, recent figures from the Warren Group, publishers of the Banker and Tradesman, show the median price for a single-family increased to \$289,000 in October 2010, up 3.2 percent from \$280,000 in 2009. Fluctuating housing values have a direct effect on the types of financial products adequate for homeowners and property buyers.

The unemployment rate for the Commonwealth of Massachusetts as of December 2011 stood at 6.9 percent, down from 8.3 percent in December 2010 and the lowest since January 2009. Employment rates would tend to affect a borrower’s ability to remain current on mortgage loan obligations and also correlates to delinquency and default rates.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Mortgage Network's lending efforts are rated under the five performance criteria: Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, Fair Lending Policies and Procedures, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the mortgage lending of Mortgage Network.

I. Geographic Distribution

The geographic distribution of loans was reviewed to assess how well Mortgage Network is addressing the credit needs throughout the Commonwealth of Massachusetts' low, moderate, middle, and upper-income Census tracts.

The following table presents Mortgage Network's HMDA reportable loans as well as the 2010 and 2011 aggregate data. In addition, the table also reflects the percentage of owner-occupied housing units in each of the Census tract income categories.

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>							
<i>Census Tract Income Level</i>	<i>% Total Owner-Occupied Housing Units</i>	<i>Mortgage Network 2010</i>		<i>Aggregate Lending Data (% of #) 2010</i>	<i>Mortgage Network 2011</i>		<i>Aggregate Lending Data (% of #) 2011</i>
		<i>#</i>	<i>%</i>		<i>#</i>	<i>%</i>	
<i>Low</i>	1.6	34	1.3	1.3	25	1.3	1.4
<i>Moderate</i>	12.8	243	9.4	10.0	169	8.5	10.2
<i>Middle</i>	54.0	1,237	47.8	49.4	966	48.6	49.4
<i>Upper</i>	31.6	1,075	41.5	39.3	828	41.6	39.0
<i>Total</i>	100.0	2,589	100.0	100.0	1,988	100.0	100.0

Source: 2010 and 2011 HMDA Data and 2000 U.S. Census

As reflected in the above table, the highest concentration of residential loans was originated in the middle and upper-income census tracts for both 2010 and 2011. Given 85.6 percent of the area's owner-occupied housing units are in middle and upper-income census tracts, it is reasonable to find the majority of loans originated within these designated census tracts.

Mortgage Network's origination activity in the low-income Census tracts was comparable with the aggregate and consistent with the demographics in both years reviewed. Lending in the moderate-income Census tract was slightly below aggregate lending, but remained consistent over both years even when overall lending fell by over 20 percent.

Overall, the geographic distribution of residential loans appears to reflect reasonable dispersion throughout the Commonwealth by Mortgage Network.

II. Borrower Characteristics

The distribution of loans by borrower income levels was reviewed to determine the extent to which the Lender is addressing the credit needs of the Commonwealth's residents.

The following table shows HMDA-reportable loans to low, moderate, middle, and upper-income borrowers in comparison to the aggregate and the percentage of total families within the Commonwealth in each respective income group.

Distribution of HMDA Loans by Borrower Income							
Median Family Income Level	% of Families	Mortgage Network 2010		Aggregate Lending Data (% of #) 2010	Mortgage Network 2011		Aggregate Lending Data (% of #) 2011
		#	%		#	%	
Low	20.5	115	4.4	4.4	119	6.0	5.4
Moderate	17.7	401	15.5	15.3	348	17.5	15.4
Middle	22.3	654	25.3	22.7	456	22.9	22.3
Upper	39.5	1,374	53.0	42.7	1,049	52.8	41.4
NA*	0	45	1.8	14.9	16	0.8	15.5
Total	100.0	2,589	100.0	100.0	1,988	100.0	100.0

Source: 2010 & 2011 HMDA Data and 2000 U.S. Census *Income Not Available

At 4.4 percent, Mortgage Network's lending to low-income borrowers was equal to the aggregate lending data in 2010 and improved to 6.0 percent in 2011, exceeding the performance of the aggregate. Although below the percentage of low-income families, this is expected due to the high cost of housing and the fact many families in this category would not qualify for a mortgage. Approximately half of these families are below the poverty level.

Lending to moderate-income borrowers, at 15.5 percent in 2010 and 17.5 percent in 2011, was comparable to the percentage of moderate-income families at 17.7 percent and the performance of the aggregate lending data at 15.3 percent. The percentage of loans to moderate-income borrowers has increased in percentage of total lending from 2010 to 2011, exhibiting a favorable trend, despite the decrease in overall loan volume in 2011.

Mortgage Network achieved a good record of serving the mortgage credit needs among borrowers of different income levels based on the area's demographics and a comparison to aggregate lending data in Massachusetts.

III. Innovative or Flexible Lending Practices

Mortgage Network offers a number of flexible lending products, provided in a safe and sound manner, to address the credit needs of low- and moderate-income individuals or geographies. Mortgage Network provides FHA, VA, and Rural Housing loan products. These products provide competitive interest rates and smaller down payments for low and moderate income first time homebuyers and existing homeowners. During the review period of 2010 to 2011 the lender closed 4,577 loans, of which 725 or 15.8 percent were government insured or guaranteed products. Of the 725 FHA, VA and Rural Housing loan products closed during the examination period, 40.3 percent were to low or moderate-income borrowers and 24.4 percent were in low or moderate-income census tracts.

As of the beginning of 2012, Mortgage Network was ranked as MassHousing's number 2 performer for first mortgage production. In 2011, Mortgage Network closed 33 MassHousing loans totaling \$6,115,231. During the review period Mortgage Network also provided FNMA My Community loans which offer low down payment options for low- and moderate-income borrowers.

IV. Fair Lending

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-103 and Regulatory Bulletin 5.3-101. The mortgage lender's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. The review included, but was not limited to, review of written policies and procedures, interviews with mortgage lender personnel, and individual file review. No evidence of disparate treatment was identified.

Mortgage Network has established a reasonable record relative to fair lending policies and practices.

MINORITY APPLICATION FLOW

For 2010 and 2011 Mortgage Network received 5,996 HMDA-reportable loan applications from within the Commonwealth of Massachusetts. Of these applications, 201 or 3.3 percent were received from minority applicants, of which 155 or 77.1 percent resulted in originations. Mortgage Network received 140 or 2.3 percent of HMDA reportable applications from ethnic groups of Hispanic origin within its assessment area of which 96 or 68.6 percent were originated. This compares to 76.3 percent overall ratio of originated loans by the lender.

Demographic information for Massachusetts reveals the total ethnic and racial minority population stood at 18.12 percent of the total population in 2010. This segment of the population is comprised of 6.75 percent Hispanic or Latino and 11.38 racial minorities: 5.01 percent Black; 3.73 percent Asian; 0.18 percent American Indian; 0.03 percent Native Hawaiian/Other Pacific Islander; and 2.42 percent identified as Other Race.

Refer to the following table for information on the mortgage lender's minority application flow as well as a comparison to aggregate lenders throughout the Commonwealth of Massachusetts. The comparison of this data assists in deriving reasonable expectations for the rate of applications the mortgage lender received from minority applicants.

MINORITY APPLICATION FLOW						
RACE	Mortgage Network 2010		2010 Aggregate Data	Mortgage Network 2011		2011 Aggregate Data
	#	%	%	#	%	%
<i>American Indian/ Alaska Native</i>	0	0.0	0.1	0	0.0	.1
<i>Asian</i>	53	1.6	4.8	56	2.1	4.6
<i>Black/ African American</i>	15	0.4	1.9	22	0.8	1.9
<i>Hawaiian/Pac Isl.</i>	0	0.0	0.1	0	0.0	.1
<i>2 or more Minority</i>	0	0.0	0.0	0	0.0	.0
<i>Joint Race (White/Minority)</i>	24	0.7	1.1	31	1.2	1.1
Total Minority	92	2.7	8.0	109	4.1	7.8
<i>White</i>	2,826	84.0	71.5	2,183	83.0	68.1
<i>Race Not Available</i>	447	13.3	20.5	339	12.9	24.1
Total	3,365	100.0	100.0	2,631	100.0	100.0
ETHNICITY						
<i>Hispanic or Latino</i>	46	1.4	2.1	46	1.8	2.1
<i>Not Hispanic or Latino</i>	2,882	85.7	76.4	2,201	83.7	73.1
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	18	0.5	0.8	30	1.1	.8
<i>Ethnicity Not Available</i>	419	12.4	20.7	354	13.4	24.0
Total	3,365	100.0	100.0	2,631	100.0	100.00

Source: 2000 U.S. Census Data

Mortgage Network's performance was below the 2010 and 2011 aggregate's performance for racial minority applicants. The mortgage lender's performance was also below the aggregate for applications from ethnic minorities. However, both the number and percentage of racial and ethnic minority applicants has increased from 2010 to 2011. The 2011 percentage for ethnic minorities was consistent with the aggregate and the percentage for racial minorities experienced a fifty percent increase while the aggregate decreased slightly.

V. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Mortgage Network by taking into account delinquency and default rates of the mortgage lender and those of the overall marketplace. Information provided by the lender was reviewed as were statistics available on delinquency and default rates for mortgage loans. Additionally, individual mortgage loans were tracked for their status through the Commonwealth's foreclosure database and other available sources including public records of foreclosure filings.

An extensive review of information and documentation, from both internal and external sources as partially described above, did not reveal lending practices or products that showed an undue concentration or a systematic pattern of lending, including a pattern of early payment defaults, resulting in the loss of affordable housing units. Further, delinquency rates were found to be consistent with industry averages.

SERVICE TEST

The service test evaluates a mortgage lender's record of helping to meet the mortgage credit needs in the Commonwealth by analyzing both the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products; the extent and innovativeness of its community development services; and loss mitigation services to modify loans or otherwise keep delinquent home loan borrowers in their homes. Community development services must benefit the Commonwealth or a broader regional area that includes the Commonwealth.

Mortgage Network's Service Test performance was determined to be "Satisfactory" at this time.

Mortgage Lending Services

The Commissioner evaluates the availability and effectiveness of a mortgage lender's systems for delivering mortgage lending services, pursuant to the following criteria:

- (a) the availability and effectiveness of systems for delivering mortgage lending services (e.g., Internet, telephone solicitation, direct mail) in low- and moderate-income geographies and to low- and moderate-income individuals, including, to the extent applicable, the current distribution of the mortgage lender's branches among low-, moderate-, middle-, and upper-income geographies;
- (b) efforts to work with delinquent home mortgage loan borrowers to facilitate a resolution of the delinquency, including the number of loan modifications, the timeliness of such modifications, and the extent to which such modifications are effective in preventing subsequent defaults or foreclosures; and
- (c) the range of services provided in low-, moderate-, middle-, and upper- income geographies and the degree to which the services are tailored to meet the needs of those geographies.

Mortgage Network provides mortgage lender services which are accessible to geographies and individuals of different income levels in the Commonwealth by providing financing opportunities through MassHousing, FHA, VA, and Rural Housing loan products. Mortgage Network uses several delivery systems for mortgage lending services including internet, telephone, and direct mail. Mortgage Network also maintains ten branch locations in Massachusetts. The branches are located in Agawam, Stoneham, Marblehead, Westford, Haverhill, Osterville, Wellesley, Waltham, Acton, and Auburn and Danvers. Business development in these branches relies primarily on repeat customers and referrals.

Mortgage Network also subservices for one bank. As of the completion of this review Mortgage Network serviced 10 Massachusetts loans for Mutual Bank. As described above, lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable.

Community Development Services

A community development service is a service that:

- (a) has as its primary purpose community development; and
- (b) is related to the provision of financial services, including technical services

The Commissioner evaluates community development services pursuant to the following criteria:

- (a) the extent to which the mortgage lender provides community development services; and
- (b) the innovativeness and responsiveness of community development services.

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance. Mortgage Network has a number of qualified community development services to address the area's community development needs.

Mortgage Network's employees host various seminars and classes regularly for consumers. During the review period Mortgage Network hosted thirteen homebuyer seminars, one VA Home loan information session and quarterly classes for Springfield Neighborhood Housing.

Also, Mortgage Network's Executive Vice President broadcasts a weekly radio show out of Lowell and Fitchburg, Massachusetts. This radio show discusses lending, credit, and budgeting, and is geared toward low- and moderate-income potential borrowers.

Qualified Investments

A Qualified Investment for the purposes of this MLCI evaluation is a lawful investment, deposit, membership share, or grant that has as its primary purpose community development. The evaluation considered (1) the number of investments and grants, (2) the extent to which community development opportunities have been made available to the institution, and (3) the responsiveness of the institution's community development grants to the assessment area's needs.

Contributions

Mortgage Network has made contributions to organizations providing education, youth programs, and health and human services. During the examination period, the lender granted approximately \$3,000 in qualified charitable donations to community organizations. The following is a sample of organizations which have received contributions from the Lender:

- **Martin Luther King Jr Family Services:** Community organization in Springfield, Massachusetts providing health and human services to low income and disadvantaged populations. This organization also provides educational services and scholarships to Springfield youth.
- **YMCA of Greater Boston:** Provides a variety of services to people of low and moderate income.
- **HAWC:** Organization supporting domestic violence victims through services provided on the North Shore of Massachusetts. It provides housing to displaced families and access to other resources such as food and financial assistance.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 255E, Section 8, and 209 CMR 54.00, the Mortgage Lender Community Investment (MLCI) regulation, requires all mortgage lenders to take the following actions within 30 business days of receipt of the MLCI evaluation of their mortgage lender:

- 1) Make its most current MLCI performance evaluation available to the public.
- 2) Provide a copy of its current evaluation to the public, upon request. In connection with this, the mortgage lender is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the mortgage lender's evaluation, as prepared by the Division of Banks, may not be altered or abridged in any manner. The mortgage lender is encouraged to include its response to the evaluation in its MLCI public file.

The Division of Banks will publish the mortgage lender's Public Disclosure on its website no sooner than 30 days after the issuance of the Public Disclosure.